

Editorial

Omlettes Are Not Made Without Breaking Eggs

The recent wave of speculation which undermined the working of the European Monetary system's exchange rate mechanism has produced mixed reactions. On the one hand, somewhat spuriously, William Rees-Mogg and his backers have used it as an excuse not to appeal against the High Court's rejection of their anti-Maastricht challenge, claiming that the Treaty is as dead as a dodo now anyway. That fate, of course, now depends on the attitude of the German Constitutional Court and, if the Treaty is found to be incompatible with the *Grundgesetz*, on the attitude of the German government and Parliament to any possible modification of the *Grundgesetz*. Others have simply proclaimed that the so-called fault lines in the system have been exposed and proceed to sing the *Te Deum* in thanksgiving for having got out earlier, ignoring the oft-repeating point that Sterling entered the mechanism at too high a parity with the Mark. Yet others feel the frustration of years of effort slipping from their grasp, almost snatching defeat, as it were, from the jaws of victory.

The widening of the bands was something of a fudge between the dynamic integration option of proclaiming a monetary union between France and Germany, and the surrender option of dismantling the exchange rate mechanism entirely. Whilst the result may be that the timetable on the Treaty on European Union may now be more difficult to maintain and that the convergence plans will be that much more of a strain, the whole sorry saga simply demonstrates the need for a single currency to replace existing national currencies. Apart from the benefits to industry, commerce and on an individual level to travellers, a single currency has the great benefit of removing the possibility of speculators attempting to play off one Member State's policy against that of another. Closer economic and monetary cooperation leading to a single currency is the Community's biggest weapon against international speculators. Before a single currency can be achieved without putting the whole Community through the traumas which have been seen in Germany because of the political decision to go for a one-to-one union, more, not less cooperation and coordination between national economic and monetary policies is

required. Indeed, it will be remembered that the coordination of the general economic policies of the Member States is the first of the responsibilities of the Council of the European Communities under Article 145 EEC and has been so since 1957.

The option of the hard Ecu, presently being resurrected by the United Kingdom, is no real alternative to a single currency as a weapon against speculation. It is easy to see why it is superficially attractive, it implies intergovernmental cooperation rather than centralised determination of policy at the supranational level; the so-called sovereignty of national governments and parliaments over economic and monetary policy is perceived as remaining intact. Yet no trading country is really sovereign over its own economic and monetary policy, even if the terms of trade are more akin to aid than to arm's length transactions. This necessarily means taking account of the policies of trading partners (as Mitterand's first administration discovered). The only way forward, if the Member States are not continually be held in turn to ransom, is a single currency for the Community.

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